

PUBLIC EMPLOYEES' RETIREMENT FUND INDIANA

MEMBER UPDATE

OCTOBER 2003



PERF MOURNS LOSS OF GOVERNOR O'BANNON

Frank L. O'Bannon

1930 - 2003

MESSAGE FROM THE EXECUTIVE DIRECTOR

CRAIG E. HARTZER

Indiana has lost a great man and tireless servant. Governor Frank O'Bannon was a tremendous human being and public official. One of his strongest beliefs regarding public service was that elected leaders from both political parties should set aside their differences to work together for the betterment of Indiana. It has been an honor and a privilege to have had the opportunity to work closely with this special man for nearly 15 years.

The PERF family sends its prayers and well wishes to the entire O'Bannon family. We feel this loss, particularly, as Governor O'Bannon was a member of the Fund with more than 36 years of service. The governor's death has been a difficult time for the entire state. He would be the first to say, however, that the business of Indiana and serving Hoosiers must go on. I am confident it will under the capable leadership of Governor Joseph E. Kernan. After all, that is why Governor O'Bannon selected Joe Kernan as Lieutenant Governor.

With approximately \$10 billion in assets under management, PERF is one of the oldest and largest public pension funds in the country. The members and employers who participate in the plan deserve a world class organization. To that end, we are instituting a series of physical and process changes. Most visibly, we will be remodeling the PERF building itself. When construction is complete, you will be able to take advantage of a new customer service center on the first floor that is attractive, easy to find, and filled with courteous and knowledgeable staff. They will help you sort through the complexity of member benefits issues, investment questions, and retirement planning.

Our primary goal is to provide our members and employers with quick and accurate answers, timely benefits, and positive returns on investments. I want our members and employers to have high expectations of PERF and hold us accountable as we change PERF into a world class financial services institution. We expect you to hold our feet to the fire in keeping our promises. We also look forward to celebrating our successes with you as we strive to deliver world class services right here in Indiana.

NEW CONTRIBUTION AFFECTS HOW MUCH YOU SAVE, HOW MUCH YOU PAY

This summer, PERF announced to employers a change that could mean significant returns for qualifying members. Every employee covered by the Fund makes a mandatory 3% contribution to his or her Annuity Savings Account (ASA). Since 2001, PERF members have been able to contribute up to an additional 10% of their salary to their ASA only after taxes have been withheld on the entire amount.

Now, qualifying members with five years of creditable service will be able to make their contribution before taxes are taken out, or “pre-tax.” Voluntary contributions – whether pre-tax or post-tax – are divided in the same percentages as your current investment directive.

BENEFITS OF PARTICIPATION

The chart below is an example of the immediate effect of this change on your take home pay. In addition to the benefit illustrated, you pay taxes on dollars withdrawn when you retire but your tax rate might be lower. While you are working, your ASA account grows faster because money is invested for a longer period with tax deferred interest.

WHO MAY PARTICIPATE?

- ❶ You will not be able to make pre-tax contributions unless your employer adopts a resolution to participate and makes the deductions through their payroll process. To date, 92 employers have contacted PERF and 67, including the State of Indiana, have completed the authorization process.

BEWARE ONE PITFALL:

AN IMPORTANT RESTRICTION

Post-tax voluntary contributions can be changed on a schedule set by your employer. However, the percentage of your wages contributed on a pre-tax basis cannot be reduced or stopped until you either retire or change employers. If you leave and later return to a position with your former employer, the voluntary contribution percentage will resume. This IRS restriction makes this an appropriate option for discretionary income.

- ❶ You must have at least 5 years of creditable service to be eligible.
- ❶ You must sign up within a 2-year “window” opened either when your employer authorizes this deduction if you already have five years of creditable service, or when you reach five years of service.

WORTH A LOOK

Even with the restrictions, pre-tax contributions are a valuable retirement savings tool. The discretionary income invested grows a little faster, and adds up over time. A presentation explaining this new contribution is available on the PERF website at www.in.gov/perf under the *EMPLOYERS* section. For more information, contact your employer’s payroll department.

JANE DOE

GROSS BI-WEEKLY PAY: \$1000.00 , WITHHOLDING TAX RATE: 20%
VOLUNTARY CONTRIBUTION: 10% OF GROSS PAY

	<u>PRE-TAX CONTRIBUTIONS</u>	<u>POST-TAX CONTRIBUTIONS</u>
Gross Pay	1000.00	1000.00
Pre-Tax Deduction	100.00	N/A
Adjusted Gross Pay	900.00	1000.00
Withholding	180.00	200.00
Post-Tax Deduction	N/A	100.00
Net Pay	720.00	700.00

LEGISLATURE WORKS TO INCREASE RETIREMENT INCOME

Cost of living adjustments (COLAs) are an important tool for those living on retirement incomes to combat the effects of inflation.

Members and survivors or beneficiaries of members who retired or were disabled before January 1, 2003, will see a 2% increase in their PERF pension checks starting on January 1, 2004.

COLA increases relate to the U.S. Labor Department's Consumer Price Index, or CPI. Every month, prices on a list of goods and services are compared with last month's prices. From 2001 to 2002, the CPI went up about 1.6%. A 2% adjustment in PERF benefits will help sustain your current purchasing power against rising prices.

This year, no legislative provision was made for what is commonly known as the "13th check."

If you are a retired member or survivor or beneficiary of a member of PERF with at least 10 years of creditable service and entitled to receive benefits on December 1, 2003, a new law guarantees you a minimum pension of \$180 per month. This provision does not apply to members whose only creditable service was as an elected official, and to benefits payable in a lump sum. Also, this benefit will be adjusted for those who took Option 61 (integration with social security) or early retirement.

WHEN MEMBERS UPDATE ...

Current address:

- There will be no delays in receiving checks.
- There will be no late or lost quarterly statements.
- You will receive notice of new fund information released to members.

Current beneficiaries:

- PERF will not be obligated to pay benefits to someone active members no longer want to receive them.
- Your survivors may avoid conflicts with unintended beneficiaries.

HELP US TO HELP YOU

The PERF Call Center operates from 8 AM to 5 PM Monday-Friday. Our knowledgeable, friendly Customer Service Representatives will assist you via phone or email at:

TOLL FREE: 1-888-526-1687

LOCAL: 317-233-4162

TDD: 317-233-4160

EMAIL: QUESTIONS@PERF.STATE.IN.US

TAKE THE TRIP TO THE BANK OFF YOUR TO-DO LIST

Do you still look for that PERF check in your mailbox every month, have to take it to the bank, or worry that it might get lost, or even stolen? There is another way to receive benefits, one preferred by PERF for your security and convenience - *direct deposit*.

Direct Deposit means your benefits go directly into your bank account each month. You can choose which account - checking or savings. There is no paper check, but you have the security of knowing the money is put directly in the bank by the 15th of every month by PERF, no delays.

You also won't get any surprises on your monthly bank statement because PERF will provide members and beneficiaries with written notice before changes are made in the amount of the deposit. PERF will also send written confirmation once a year on the amount being deposited, even if the amount does not change.

Direct Deposit forms can be downloaded from the PERF website at www.in.gov/perf

EXCELLENCE RECOGNIZED

For the second year in a row, the Government Finance Officers Association awarded PERF the *Certificate of Achievement for Excellence in Financial Reporting* for the 2002 annual report. PERF members can take pride in a document recognized for its professionalism and quality that satisfies both generally accepted accounting principles and applicable legal requirements.

The 2003 Annual Report for fiscal year ending June 30, 2003 is currently being designed. When production is completed, the report will be available on the PERF Web site.

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NANCY TURNER CAPS DISTINGUISHED TENURE ON PERF BOARD



"I think I brought the perspectives of both employer and employee to my work on the PERF board." That's how Nancy Turner describes her unique contribution over 11 years on the PERF board of trustees. Nancy stepped down in July from a post mandated under Indiana law that states that at least one trustee must have at least 10 years of creditable service. Garland Ferrell now is the lone trustee with that level of service in the Fund.

"When I was appointed in 1992, they needed a woman in academics who was a 10-year PERF member to fill an unexpired term. I guess I met that mix," she laughs. It's an unpretentious recollection for a woman who started at Ball State University as a part-time secretary with a high school diploma, and finished her career as the Head of Archives & Special Collections for the University's library in 1998. She picked up a bachelor's and two master's degrees along the way.

PERF covers a variety of people with a diverse range of job responsibilities, education levels, and understanding of financial issues. Nancy thinks education about the impact of benefit choices is one the most important things PERF can provide its members. Many employees approach benefit planning with too short a time frame. "I worry that younger people make plans thinking they will stay in a job only a few years, and then they look up and find themselves being there for 30 years, like I did."

Nancy said she knew nothing of finances when she began her service to the board, but learned a great deal and enjoyed her time immensely. She applauds the inclusion of trustees with more experience in investments. "I am comfortable about leaving the board in good hands."

Nancy's eight children have been out of the house for 15 years now. All but one live in Delaware County and she spends a lot of time with 26 grandchildren. "We are working on great grandchildren now, with four and one more on the way."

ROBERT WELCH NAMED

Robert V. Welch, Jr., will fill the remainder of Nancy's term, bringing significant investment and real estate experience. He is Senior Vice President and head of corporate finance for City Securities Corporation – Indiana's oldest and largest independent investment bank. From 1993 to 2000, he was CFO and Executive Director of the Indiana Housing Authority.

A graduate of Notre Dame with an MBA from the Indiana University Kelley School of Business, he was a walk-on football player for the Irish. He serves on the boards of several local agencies involved in housing for at-risk populations and is active in local civic activities.

